Intsika Yethu Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

General Information

Nature of business and principal activities	Intsika Yethu Municipality is a South African Category C Municipality (Local municipality) as defined by the Municipal Structures Act, 1998 (Act No. 117 of 1998). The municipality's operations are governed by the: - Municipal Finance Management Act, 2003 (Act No. 56 of 2003); - Municipal Systems Act of 2000; and - Various other Acts and regulations.
Mayoral committee	
Honourable Mayor	Jongumzi Cengani
Councillors	Khanyisa Florence Mdleleni- Speaker of the council Myolisi Toni- Chief whip Saziso Myataza- Portfolio Head {LED} Wonga Dunjwa- Portfolio Head (Budget & Treasury) Noloyiso Dube - Portfolio Head (Planning & Dev. Services) Azipheli Tshangana Nkota- Portfolio Head (Community Services) Noloyiso Ntsaluba- Portfolio Head (Corporate Services) Zukiswa Qayiya- Portfolio Head (Infrastructure) Bongani Divilias Mpengesi- Portfolio Head (Governance & Admin) Zweloxolo Mxi- MPAC Chairperson Zonwabele S. Matshikiza Kholiswa Kolanisi- Womens corcus committe Chairperson Zoliswa Pomolo Pumelele Magazi Culama Mvo Nobom Bani Amanda Kupa Monwabisi Zulu Sizwe Tame Sheilla Nomapha. Lupuzi Wanda Elliot Vani Neliswa Portia Gadeni Melekile Skotana- Petition Committe Chair Manyewu Shasha- Rules Committe Chair Andile Yamile Horatius Khayalethu Mnqojana Nophelo Magaga Nozuko Sygnoria Mafanya Monde Armon Mbotshana Mwezi Innocent Bikitsha Nkosinathi General Mnqanqeni Vuyokazi Gladys Matomela Siphiwo Mkunyana Malibongwe Gulubela Albertinah Nokwetu Rotyi Noloyiso Mto Hegail Nollinset Ntonintshi Noxolile Mavis Hexana Mayenzeke Yamile Nokaya Monica Ludaka

General Information

	Ncedeka Terezabeth Mgqamqho
Grading of local authority	Grade 3
Chief Finance Officer (CFO)	Mr. L. Madikizela
Accounting Officer	Miss A. Ntengenyane (Acting)
Main office	ERF. 201 Main Street Cofimvaba 5380
Satelite office address	ERF 72 Main Street Tsomo 5400
Postal address	Private Bag X 1251 Cofimvaba 5380
Telephone number	(047) 874 8700
Fax number	(047) 874 0010
Auditors	Auditor General South Africa (AG (SA))

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The acting accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditor is engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (Standards of Generally Recognised Accounting Practice) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The acting accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the acting accounting officer to meet these responsibilities, the acting accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The acting accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The acting accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2018 , in the light of this review and the current financial position, she is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 5 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on 23 August 2017 and were signed by her:

Miss A Ntengenyane
Acting accounting officer

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current assets			
Inventories	3	50 650 683	50 585 135
Receivables from exchange transactions	4	1 582 526	749 276
Receivables from non-exchange transactions	5	2 611 031	2 232 795
VAT receivable	6	8 175 857	8 227 491
Other receivables	7	811 904	569 115
Cash and cash equivalents	8	6 594 965	2 858 086
		70 426 966	**65 221 898**
Non-current assets			
Investment property	9	68 983 508	70 030 598
Property, plant and equipment	10	513 332 376	497 930 420
		582 315 884	**567 961 018**
Total assets		**652 742 850**	**633 182 916**
Liabilities			
Current liabilities			
Trade and other Payables from non-exchange transaction	40	7 292 704	3 194 641
Trade and other Payables from exchange transactions	11	23 295 321	28 324 082
Unspent conditional grants and receipts	12	-	38 130
Provisions	13	2 586 158	1 661 174
Current portion of long term	14	-	448 579
Bank overdraft	8	-	14 566
		33 174 183	**33 681 172**
Non-current liabilities			
Provisions	13	4 515 330	4 650 223
Long term loan	14	-	7 192 651
		4 515 330	**11 842 874**
Total liabilities		**37 689 513**	**45 524 046**
Net assets		**615 053 337**	**587 658 870**
Accumulated surplus		615 053 337	587 658 870

* See Note 32

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	732 594	597 108
Service charges- Interest		86 370	75 147
Rental of facilities and equipment		1 575 784	1 571 162
Licences and permits		2 500 230	1 710 589
Pound fees		166 584	165 172
Recoveries		-	4 810
Other revenue	16	835 973	1 349 485
Plant Income		2 288 189	-
Interest received - investment	41	2 398 465	1 599 716
Total revenue from exchange transactions		**10 584 189**	**7 073 189**
Revenue from non-exchange transactions			
Property rates	17	3 278 696	3 308 521
Property rates - Interest	17	1 076 777	1 019 143
Fines		1 116 145	789 176
Transfer revenue			
Government transfers	18	204 975 881	214 490 852
Other transfer revenue		4 191 889	450 000
Total revenue from non-exchange transactions		**214 639 388**	**220 057 692**
Total revenue		**225 223 577**	**227 130 881**
Expenditure			
Personnel costs	19	(100 578 047)	(89 929 183)
Remuneration of councillors	20	(14 452 208)	(13 799 582)
Depreciation and amortisation	21	(23 646 182)	(29 989 959)
Impairment loss/ Reversal of impairments	42	(641 132)	(629 856)
Finance costs	22	(540 746)	(509 567)
Debt impairment	23	(248 021)	(753 283)
Transfer of assets		-	(161 404)
Repairs and maintenance		(2 044 158)	(1 254 764)
General expenses	25	(53 551 940)	(44 359 591)
Total expenditure		**(195 702 434)**	**(181 387 189)**
Operating surplus		**29 521 143**	**45 743 692**
Gain on disposal of assets and liabilities		-	555 035
Surplus for the year		**29 521 143**	**46 298 727**

* See Note 32

Intsika Yethu Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	542 119 853	542 119 853
Balance at 01 July 2015 as restated*	**542 119 853**	**542 119 853**
Prior year adjustments	3 696 773	3 696 773
Net income (losses) recognised directly in net assets	3 696 773	3 696 773
Profit for the year	41 842 244	41 842 244
Total recognised income and expenses for the year	45 539 017	45 539 017
Total changes	45 539 017	45 539 017
Balance at 01 July 2016	**585 532 193**	**585 532 193**
Surplus for the year	29 521 144	29 521 144
Total changes	29 521 144	29 521 144
Balance at 30 June 2017	**615 053 337**	**615 053 337**

* See Note 32

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Transfers and other revenue		214 601 258	215 325 551
Interest income		3 547 665	2 693 856
Other receipts		7 837 125	6 550 837
		225 986 048	224 570 244
Payments			
Employee costs		(115 030 398)	(106 976 385)
Suppliers		(57 221 445)	(51 566 174)
Finance costs		(145 815)	(116 900)
		(172 397 658)	(158 659 459)
Net cash flows from operating activities	26	**53 588 390**	**65 910 785**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(42 081 136)	(65 334 355)
Proceeds from disposal of property, plant and equipment	10	230 565	172 498
Proceeds from disposal of inventory		-	1 215 826
Net cash flows from investing activities		**(41 850 571)**	**(63 946 031)**
Cash flows from financing activities			
Repayment of other financial liabilities		(7 986 374)	(822 644)
Net increase in cash and cash equivalents		**3 751 445**	**1 142 110**
Cash and cash equivalents at the beginning of the year		2 843 520	1 701 410
Cash and cash equivalents at the end of the year	8	**6 594 965**	**2 843 520**

* See Note 32

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	691 921	-	**691 921**	818 965	**127 044**	N1
Rental of facilities and equipment	805 621	-	**805 621**	1 575 784	**770 163**	N2
Interest received (trading)	309 000	-	**309 000**	-	**(309 000)**	N3
Licences and permits	1 734 800	-	**1 734 800**	2 500 230	**765 430**	N4
Fees earned	-	-	**-**	166 584	**166 584**	N5
Other income	9 213 966	-	**9 213 966**	835 973	**(8 377 993)**	N7
In house projects Income	-	-	**-**	2 288 189	**2 288 189**	N8
Interest received - investment	-	-	**-**	2 398 465	**2 398 465**	N3
Total revenue from exchange transactions	**12 755 308**	**-**	**12 755 308**	**10 584 190**	**(2 171 118)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	3 609 380	-	**3 609 380**	3 278 696	**(330 684)**	N9
Property rates - Interest	-	-	**-**	1 076 777	**1 076 777**	N10
Fines	-	-	**-**	1 116 145	**1 116 145**	N11
Transfer revenue						
Government grants and subsidies	206 130 000	-	**206 130 000**	204 975 881	**(1 154 119)**	N12
Other transfer revenue	-	-	**-**	4 191 889	**4 191 889**	N12
Total revenue from non-exchange transactions	**209 739 380**	**-**	**209 739 380**	**214 639 388**	**4 900 008**	
Total revenue	**222 494 688**	**-**	**222 494 688**	**225 223 578**	**2 728 890**	
Expenditure						
Personnel	(103 230 581)	-	**(103 230 581)**	(100 578 047)	**2 652 534**	
Remuneration of councillors	(14 621 096)	-	**(14 621 096)**	(14 452 208)	**168 888**	
Depreciation and amortisation	(30 070 377)	-	**(30 070 377)**	(23 646 182)	**6 424 195**	
Impairment loss/ Reversal of impairments	-	(629 856)	**(629 856)**	(641 132)	**(11 276)**	
Finance costs	-	(540 746)	**(540 746)**	(540 746)	**-**	
Debt Impairment	-	(248 021)	**(248 021)**	(248 021)	**-**	
Repairs and maintenance	(2 744 830)	-	**(2 744 830)**	(2 044 158)	**700 672**	
General expenses	(52 811 437)	(1 220 428)	**(54 031 865)**	(53 551 940)	**479 925**	
Total expenditure	**(203 478 321)**	**(2 639 051)**	**(206 117 372)**	**(195 702 434)**	**10 414 938**	
Surplus before taxation	**19 016 367**	**(2 639 051)**	**16 377 316**	**29 521 144**	**13 143 828**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**19 016 367**	**(2 639 051)**	**16 377 316**	**29 521 144**	**13 143 828**	
Capital						
Property, plant and equipment	69 193 700	(1 337 620)	67 856 080	65 172 953	2 683 127	N19

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

N1 - The budget was based on what the municipality anticipated to collect on service charges and not the actual fees raised, resulting in the difference.

N2 - The budget was based on what the municipality anticipated to collect on rental of facilities and equipment and not the actual fees raised, resulting in the difference.

N3 - The municipality did not budget adequately for interest received. Furthermore, efforts were made to maximise the interest on short-term investments.

N4 - Licences and permits are variable based on the needs of the community. Budgeted revenues were not achieved.

N5 - Efforts were made in the current year to ensure that animals are kept off the roads, resulting in an increase in pound fees

N6 - The municipality did not budget for the recognition of unallocated receipts as income during the year, which was included under other revenue.

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N7 - Budget was based on an estimated increase in the tariff structure, however the tariff structure remained unchanged from the prior year.

N8 -Municipality did not budget for inhouse project (Capital project from MIG).

N9 -The budget was based on what the municipality anticipated to collect on property rates and not the actual fees raised, resulting in the difference.
N110 - Muicipalty did not budget for Interest on property rates.
N 11 - Municipalty did not budget for grants fro the distrct municipality and other revenue
N12 - Municipalty did not budget for traffic fine.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

- GRAP 1 -Presentation if Financial Statement
- GRAP 2 - Cash Flow Statement
- GRAP 3 -Accounting Policies, Change in Accounting Estimates and Errors
- GRAP 4 - The Effect of Changes in Foreign Exchange Rates
- GRAP 5 - Borrowing Cost
- GRAP 6 - Consolidated and Seperate Financial Statements
- GRAP 7 - Investment in Associates
- GRAP 8 - Investment in Joint Ventures
- GRAP 9 - Revenue from Exchange Transaction
- GRAP 10 - Financial Reporting in Hyperinflationery Economies
- GRAP 11 - Construction Contracts
- GRAP 12 - Inventories

- GRAP 13 - Leases
- GRAP 14 - Events After the Reporting Date
- GRAP 16 - Investment Property
- GRAP 17 - Property, Plant and Equipment
- GRAP 18 - Segment Reporting
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets
- GRAP 21 - Impairment of Non-cash-generating Assets
- GRAP 23 -Revenue from Non-exchange Transaction
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of Cash-generating Assets
- GRAP 27 - Agrculture
- GRAP 31 -Intangible Assets
- GRAP 100 -Discontinued Operations
- GRAP 103 -Heritage Assets
- GRAP 104 -Financial Instrument
- GRAP 105 -Transfer of Function Between Entities Under Common Control
- GRAP 106 -Transfer of Function Between Entities Not Under Common Control
- GRAP 107 -Mergers

Interpretations:

- IGRAP 1 - Applying the probability test in initial recognition of exchange revenue
- IGRAP 2 - Change in existing decommissioning, restoration and similar liabilities
- IGRAP 3 - Determining whether an arrangement contains a lease
- IGRAP 4 - Rights to interest arising from decommissioning, restoration and environmental rehabilitation funds
- IGRAP 5 - Apply the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationery Economies
- IGRAP 6 - Loyality Programmes
- IGRAP 7 - The limit on a Defind Benfit Assets, Minimum Funding Requirments and their Interaction
- IGRAP 8 - Agreement for the construction of assets from exchange transactions
- IGRAP 9 -Distributions of Non-cash Assets to Owners
- IGRAP 10 - Assets received from customers
- IGRAP 11 - Consolidations- Special Purpose Entities
- IGRAP 12 - Jointly Controlled Entities - Non-monetary Contributions by Venturers
- IGRAP 13 - Operating leases - incentive
- IGRAP 14 - Evaluating the substance of transactions involving the legal form of a lease
- IGRAP 15 - Revenue- Barter Transactions Involving Advertising Services
- IGRAP 16 - Intangible assets - Website costs (effective 1 April 2013)

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The municipality has rounded off to the nearest Rand

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade and other receivables

The municipality assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of the assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availablity of finance to replace the asset at the end of its useful life. In evaluating how the condition and use of the asset informs the useful life and residual value management considers the impact of technolgy and minimum service requirements of the assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Accounting Policies

1.4 Investment property (continued)

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. When significant components of items of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other costs are recognised in the income statement as an expense as incurred.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Accounting Policies

1.5 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item		Average useful life
Landfill sites	Straight line	26 years
Buildings	Straight line	
- Mobile offices		10 - 20 years
- Other		30 - 50 years
Computer equipment	Straight line	5 - 15 years
Plant and machinery	Straight line	5 - 25 years
Furniture and office equipment	Straight line	7 - 20 years
Motor vehicles	Straight line	10 - 15 years
Infrastructure assets	Straight line	
- Roads and paving		5 - 135 years
Community assets	Straight line	
- Halls		15 - 50 years
- Libraries		15 - 30 years
Parks and recreation	Straight line	15 - 70 years
Wastewater network	Straight line	10 - 30 years
Electricity	Straight line	20 - 30 years
Land	Straight line	Indefinite

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Accounting Policies

1.7 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	3-7 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or

1.8 Financial instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.8 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at fair value

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The minicipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.8 Financial instruments (continued)

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Accounting Policies

1.9 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease if it is practicable to determine. If not the rate for the government bond with a maturity similar to the lease is used.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.11 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

1.12 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- an entity’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

1.13 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

1.14 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Finance income

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Tariff charges, licences and permits

Revenue arising from the application of approved tariffs is recognised when the service is rendered by applying the relevant authorised tariff. This includes licences and permits.

Rentals

Revenue from rental of facilities and equipment classified as operating leases is recognised over the term of the lease agreement, where such terms spans over more than one year a straight line basis is used.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Government grants

Income received from conditional grants, donations and funding recognised as revenue in the statement of financial performance to the extend that the municipality has complied with all the criterias or conditions attached to the funding. Where the conditions or criterias are not fully met, a liability is recognised in the statement of financial position.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related conditions to be fulfilled are recognised in the statement of financial performance in the year in which they have been received.

Interest earned from investment of grant money is treated in accordance with the grant conditions. If it is payable to the funder it is recognised as a liability in the statement of financial position. If the interest is not payable to the funder it will be recognised as interest income or other income in the statement of financial performance of the period to which it was earned.

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of revenue can be measured reliably; and
- to the extent that the conditions have been discharged and there has been compliance with any restrictions associated with the grant.

Other grants and donations

The municipality transfers money to individuals or organisations and other sectors of government from time to time, when making these transfers the municipality does not:
- receive any goods or services in return as would be expected in a purchase or sale transaction;
- expect to be repaid in future; and
- expect a financial return as would be expected from an investment.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Discontinued operations

Discontinued operations is a component with seperate operations and cash flows that can be clearly distinguishable, operationally and for financial reporting purposes, that has been disposed of and represents a destinguishable activity, group of activities or geographical are of operations, or is a controlled entity acquired exclusively withthe view to resale.

Discontinued operations are shown seperately from continued operations on the face of the statement of financial performance. Comparative figures are also reflected accordingly.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification are disclosed in the comparative figure note to the financial statements.

Accounting Policies

1.21 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.
- expenditure not in accordance with the purpose of the conditional grant.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the MFMA, the Municipal Systems Act, 2000 (Act No.32 of 2000), and the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Events after reporting period

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements. Non-adjusting events have been disclosed in the notes to the financial statements.

1.25 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.26 Commitments

Items are classified as commitments when the Municipality has committed itself to future transactions that will normally result in an outflow of resources ,embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements.

At the end of each financial reporting period the Municipality determines commitments is respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitment note to the financial statements.

1.27 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.27 Budget information (continued)

Comparative information is not required.

1.28 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.29 Value Added Tax (VAT)

Revenue, expenses and assets are recognised net of VAT. The net amount of VAT recoverable from, or payable to SARS is included as part of receivables or payables in the statement of financial position.

Municipality accounts for VAT on a payments basis.

1.30 Changes in accounting policy, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 - Accounting polices, changes in accounting estimates and errors, requirements except to the extent that it is impracticable to determine the period- specific effects or the accumulated effect of the change in policy. In such cases the municipality shall restate the opening balances of the assets and liabilities and net assets for the earliest period for which a retrospective restatement is practicable. Details of the change in accounting policy are disclosed in the notes to the financial statements where applicable.

Changes in accounting estimates are applied prospectively in accordance wit GRAP 3 requirements. Details of change in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent it is impracticable to determine the period specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of the assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of the prior errors are disclosed in the notes to the financial statements where applicable.

Notes to the Annual Financial Statements

2. New standards and interpretations

GRAP 34: Separate Financial Statements

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term “ammunition” in IPSAS 12 was replaced with the term “military inventories” and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:
- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

	2017	2016 Restated*

3. Inventories

Consumables	65 548	-
Properties held for sale	50 585 135	50 585 135
	50 650 683	**50 585 135**

Inventory relates to property held for sale and consumables.

4. Receivables from exchange transactions

Trade debtors	4 209 159	2 681 686
Provision for impairment	(2 793 372)	(2 095 092)
Reallocation of receivables with credit balances to trade payables	125 815	162 682
Reallocation of payables with debit balance to receivables	40 924	-
	1 582 526	**749 276**

Trade and other receivables from exchange transactions

2017

	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Business	29 089	17 531	10 561	869 819	927 000
Government Departments	22 135	21 603	19 566	721 164	784 468
Rental debtors	67 417	65 371	54 175	967 432	1 154 395
Other	-	-	-	162 882	162 882
Residential	18 225	15 364	17 057	1 147 768	1 198 414
	136 866	**119 869**	**101 359**	**3 869 065**	**4 227 159**

Debtors by revenue type	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Service charges	77 925	88 665	66 155	2 127 135	2 359 880
Rental income	51 047	58 083	43 336	1 393 433	1 545 899
	128 972	**146 748**	**109 491**	**3 520 568**	**3 905 779**

2016

	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Business	38 707	43 983	28 358	778 422	889 470
Government Departments	53 468	(9 417)	52 637	603 832	700 520
Rental Debtors	14 227	11 957	11 513	222 943	260 640
Other	972	1 550	1 000	95 234	98 756
Residential	14 173	15 337	13 202	629 947	672 659
Vacant land	1 218	1 760	1 049	55 614	59 641
	122 765	**65 170**	**107 759**	**2 385 992**	**2 681 686**

Debtors by revenue type	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Services charges	88 467	46 963	77 654	1 719 408	1 932 492
Rental income	34 298	18 207	30 105	666 584	749 194
	122 765	**65 170**	**107 759**	**2 385 992**	**2 681 686**

* See Note 32

	2017	2016 Restated*

4. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

At 30 June 2017, R753 136 (2016: R593 432) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

0-30 days	100 595	79 264
31-60 days	11 374	8 962
61-90 days	82 605	65 088
>90 days	558 561	440 118

Trade and other receivables impaired

As of 30 June 2017, trade and other receivables of R2 650 242 (2016: R2 088 255) were impaired and provided for.

The amount of the provision was R2 738 008 as of 30 June 2017 (2016: R2 095 092).

The ageing of these receivables is as follows:

0-30 days	55 208	43 501
31-60 days	71 335	56 208
61-90 days	54 154	42 671
>90 days	2 469 545	1 945 875

Reconciliation of provision for impairment of trade and other receivables

Opening balance	2 095 092	2 185 261
Provision for impairment	642 916	(90 169)
	2 738 008	**2 095 092**

5. Receivables from non-exchange transactions

Property rates	8 308 887	7 991 245
Reallocation of receivables with credit balances to trade payables	268 738	484 783
Impairment of trade and other receivables	(5 966 594)	(6 243 233)
	2 611 031	**2 232 795**

Receivables from non-exchange transactions

2017

	0 - 30 Days	31 - 60 Days	61 - 90 Days	> 90 days	Total
Business	96 716	111 059	100 725	3 082 219	3 390 719
Government Departments	156 632	188 751	97 036	2 626 114	3 068 533
Other	(3 016)	12 834	9 737	400 904	420 459
Residential	11 223	27 686	34 505	1 355 762	1 429 176
	261 555	**340 330**	**242 003**	**7 464 999**	**8 308 887**

	2017	2016 Restated*

5. Receivables from non-exchange transactions (continued)

Debtors by revenue type	0 - 30 Days	31 - 60 Days	61 - 90 Days	> 90 days	Total
Property rates	261 555	340 330	242 003	7 464 999	8 308 887

2016

	0 - 30 Days	31 - 60 Days	61 - 90 Days	> 90 days	Total
Business	115 345	131 067	84 505	2 319 646	2 650 563
Government Departments	159 331	(28 062)	156 855	1 799 380	2 087 504
Other	2 896	4 618	2 980	283 791	294 285
Rental debtors	42 394	35 632	34 307	664 356	776 689
Residential	42 235	45 702	39 342	1 877 200	2 004 479
Vacant land	3 629	5 246	3 125	165 726	177 726
	365 830	**194 203**	**321 114**	**7 110 099**	**7 991 246**

Debtors by revenue type	0 - 30 Days	31 - 60 Days	61 - 90 Days	> 90 days	Total
Property rates	365 829	194 203	321 114	7 110 099	7 991 245

Receivables from non-exchange transactions past due but not impaired

At 30 June 2017, R1 608 685 (2016: R1 768 388) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2017	2016
0-30 days	214 869	236 200
31-60 days	22 494	26 706
61-90 days	176 442	193 959
> 90 days	1 193 079	1 311 523

Receivables from non-exchange transactions impaired

As of 30 June 2017, other receivables from non-exchange transactions of R5 660 870 (2016: R6 222 856) were impaired and provided for.

The amount of the provision was R5 848 338 (2016: R6 243 233).

The ageing of these receivables is as follows:

	2017	2016
0-30 days	117 922	129 629
31-60 days	152 369	167 496
61-90 days	155 672	127 155
>90 days	5 274 906	5 798 576

Reconciliation of provision for impairment of receivables from non-exchange transactions

	2017	2016
Opening balance	6 243 233	5 619 520
Provision for impairment	(394 895)	623 713
	5 848 338	**6 243 233**

6. VAT receivable

	2017	2016
VAT Receivable	8 175 857	8 227 491

* See Note 32

Notes to the Annual Financial Statements

	2017	2016 Restated*

7. Other receivables

Heading		
Chris Hani District Municipality	1 812 524	1 812 524
Sundry debtors	-	291 976
Traffic fines	1 097 794	554 279
Provision for impairment	(2 089 664)	(2 089 664)
Debtors written off by the Magistrate	(8 750)	-
	811 904	**569 115**

The refund due from CHDM relates to payments made, less income received, after 1 July 2014 for the water services function. As disclosed in note , the water services function, along with the related assets and liabilities, was transferred to CHDM with effect from 1 July 2014. Management have been in discussions with CHDM and based on these discussions, the recoverability of the loan is unlikely.

Management have assessed the recoverability of traffic fines and this balance has been impaired to its estimated recoverable amount.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 826	53
Bank balances	4 371 157	-
Short-term deposits	2 216 982	2 858 033
Bank overdraft	-	(14 566)
	6 594 965	**2 843 520**

Current assets	6 594 965	2 858 086
Current liabilities	-	(14 566)
	6 594 965	**2 843 520**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2017	**30 June 2016**	**30 June 2015**	**30 June 2017**	**30 June 2016**	**30 June 2015**
FNB 62022331003 (Cheque)	4 371 156	(14 566)	374 682	4 371 156	(14 566)	374 682
FNB 62101651398 (Cheque)	78 441	115 879	67 552	78 441	115 879	67 552
FNB 62022332316 (Money MKT)	960 968	61 059	78 249	960 968	61 059	78 249
FNB 62090678320 (Money MKT)	1 823	174 241	122 146	1 823	174 241	122 146
FNB 62240443820 (Cheque)	196 446	259 195	173 539	-	259 195	173 539
ABSA 961149096 (32 days call)	744 217	710 822	683 954	744 217	710 822	683 954
FNB 62026740549 (Money MKT)	876	1 332 315	3 949	876	1 332 315	3 949
FNB 62027101245 (Money MKT)	183 117	54 100	173 192	183 117	54 100	173 192
FNB 62160167500 (Money MKT)	51 093	154 085	20 052	51 093	154 085	20 052
Total	**6 588 137**	**2 847 130**	**1 697 315**	**6 391 691**	**2 847 130**	**1 697 315**

9. Investment property

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	73 954 693	(4 971 185)	68 983 508	73 954 693	(3 924 095)	70 030 598

Reconciliation of investment property - 2017

	Opening balance	**Prio year accumulated depreciation**	**Depreciation**	**Total**
Investment property	70 030 598	(405 957)	(641 133)	68 983 508

Reconciliation of investment property - 2016

	Opening balance	**Depreciation**	**Total**
Investment property	70 660 454	(629 856)	70 030 598

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

10. Property, plant and equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	76 359 270	(8 708 638)	67 650 632	64 143 967	(7 375 737)	56 768 230
Plant and machinery	42 126 594	(19 567 351)	22 559 243	42 104 265	(16 443 313)	25 660 952
Motor vehicles	11 941 447	(3 364 810)	8 576 637	11 165 768	(2 549 172)	8 616 596
Office equipment	4 745 276	(2 289 393)	2 455 883	4 528 486	(1 863 391)	2 665 095
Computer equipment	3 066 327	(1 813 577)	1 252 750	2 473 914	(1 354 760)	1 119 154
Road infrastructure	390 799 215	(195 897 163)	194 902 052	385 229 548	(179 679 095)	205 550 453
Community	26 710 774	(4 896 013)	21 814 761	26 710 774	(4 324 735)	22 386 039
Work in progress	172 862 904	-	172 862 904	163 995 112	-	163 995 112
Electricity	15 441 139	(724 340)	14 716 799	4 856 330	(493 086)	4 363 244
Landfill site	809 735	(126 884)	682 851	809 735	(88 325)	721 410
Park facilities	7 503 653	(1 919 656)	5 583 997	7 503 653	(1 724 652)	5 779 001
Wastewater network	732 964	(459 097)	273 867	732 964	(427 830)	305 134
Total	**753 099 298**	**(239 766 922)**	**513 332 376**	**714 254 516**	**(216 324 096)**	**497 930 420**

* See Note 32

	2017	2016 Restated*

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Assets written off	Transfers	Depreciation	Total
Buildings	56 768 230	12 215 303	-	-	(1 332 901)	67 650 632
Plant and machinery	25 660 952	22 329	-	-	(3 124 038)	22 559 243
Motor vehicles	8 616 596	1 202 487	(230 565)	-	(1 011 881)	8 576 637
Furniture and office equipment	2 665 095	216 790	-	-	(426 002)	2 455 883
Computer equipment	1 119 154	599 525	-	-	(465 929)	1 252 750
Road infrastrure	205 550 453	5 569 667	-	-	(16 218 068)	194 902 052
Community	22 386 039	-	-	-	(571 278)	21 814 761
Work in progress	163 995 112	37 136 908	-	(28 269 116)	-	172 862 904
Electricity	4 363 244	10 584 809	-	-	(231 254)	14 716 799
Landfill site	721 410	-	-	-	(38 559)	682 851
Parks and recreation	5 779 001	-	-	-	(195 004)	5 583 997
Wastewater network	305 134	-	-	-	(31 267)	273 867
	497 930 420	**67 547 818**	**(230 565)**	**(28 269 116)**	**(23 646 181)**	**513 332 376**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	57 943 706	-	-	-	(1 175 476)	56 768 230
Plant and machinery	28 833 414	-	-	-	(3 172 462)	25 660 952
Motor vehicles	8 874 529	827 680	(141 559)	-	(944 054)	8 616 596
Office equipment	2 869 451	182 190	-	-	(386 546)	2 665 095
Computer equipment	1 293 419	192 520	(4 150)	-	(362 635)	1 119 154
Road infrastructure	206 724 852	21 698 742	-	-	(22 873 141)	205 550 453
Community	21 766 324	1 152 129	-	-	(532 414)	22 386 039
Work in progress	122 892 293	64 730 571	-	(23 627 752)	-	163 995 112
Electricity	4 591 343	-	-	-	(228 099)	4 363 244
Landfill site	740 607	16 873	-	-	(36 070)	721 410
Parks and recreation	6 021 420	-	-	-	(242 419)	5 779 001
Wastewater network	341 778	-	-	-	(36 644)	305 134
	462 893 136	**88 800 705**	**(145 709)**	**(23 627 752)**	**(29 989 960)**	**497 930 420**

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. Assets with a carrying value of R 206,315 could not be found. The municipality is in the process of investigating the reasons why these assets could not be found and further action will be taken as a result of the investigation. Non are these assest are held as a security or surerity to any institutions they belong to the municipality

11. Trade and other Payables from exchange transactions

	2017	2016
Trade payables	3 103 751	14 106 637
Unallocated receipts	1 002 247	693 689
Sundry payables	8 410 812	4 199 698
Retentions	3 975 068	2 969 262
Accrued leave	6 718 570	6 354 796
Allocation of creditors with debit balance	(40 942)	-
Allocation of debtors with credit balance	125 815	-
	23 295 321	**28 324 082**

* See Note 32

Notes to the Annual Financial Statements

	2017	2016 Restated*

12. Unspent conditional grants and receipts

Unspent conditional grants comprises of:

	2017	2016 Restated*
Unspent conditional grants and receipts		
Integrated National Electrification Programme Grant	-	38 130

Movement during the year

	2017	2016 Restated*
Balance at the beginning of the year	38 130	26 431
Additions during the year	62 597 880	67 778 551
Income recognition during the year	(62 636 010)	(67 766 852)
	-	**38 130**

	2017	2016 Restated*
Non-current liabilities	-	-
Current liabilities	-	38 130
	-	**38 130**

See note 18 for reconciliation of grants from National/Provincial Government and conditions of the grants.

These amounts are invested in a ring-fenced investment until utilised.

* See Note 32

13. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation - landfill site	873 254	17 076	(185 383)	704 947
Provisions for long service awards	3 925 105	148 136	-	4 073 241
Provisions for bonuses	1 513 038	810 262	-	2 323 300
	6 311 397	**975 474**	**(185 383)**	**7 101 488**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation - landfill sites	839 305	17 076	16 873	873 254
Provision for 13 cheque	3 074 000	851 105	-	3 925 105
Provision for perfomance bonus	-	381 793	-	381 793
Provisions for long service award	1 390 740	122 298	-	1 513 038
	5 304 045	**1 372 272**	**16 873**	**6 693 190**

	2017	2016
Non-current liabilities	4 515 330	4 650 223
Current liabilities	2 586 158	1 661 174
	7 101 488	**6 311 397**

This provison for long service award relates to expected outflows of economic benefits associated with paying employees that have completed a cycle of 5 years in the employ of the municipality

The p[rovison for 13 cheque is for permanent employees which they received in their birthday months.

The provision for perfomance bonus is for sectin 56 and 57 manager which they receive only if they meet their targets.

Environmental rehabilitation provision

The provision relates to the rehabilitation of landfill sites.

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation using an interest rate of 2.00%.

The expected life of the Cofimvaba landfill site is projected to be 21 years from 30 June 2017. The interest rate for the landfill site is 2.00% for 2016/17.

Provision for long service

This provision relates to expected outflows of economic benefits associated with paying employees that have completed a cycle of 5 years in the employ of the municipality.

Notes to the Annual Financial Statements

	2017	2016 Restated*

14. Long term loan

DBSA loan		
Non- current portion	-	7 192 651
Current portion	-	448 579
	-	**7 641 230**

The loan is 20 years at a fixed interest rate of 5%. The capital is repayable in 40 equal six - monthly instalments, commencing on the last day of the first half of the year during which the first disbursement was advanced to the Borrower. Penalty interest shall be calculated with regard to actual period during which the amount payable remain unpaid, at a fixed interest rate of the loan, 5% plus 2 % (p.a). Penalty interest shall be compounded six-monthly (01 April to 30 September and /or 01 October to 31 March during the next calender year), payable on demand.

Furthermore paragraph 10.1 of the agreement states that DBSA shall be entitled, after giving the borrower 30 days written notice, to suspend drawdowns from the loan or to terminate this agreement and to claim from the borrower immediate payment from the outstanding amount, should the borrower commit any breach of this agreement.

The DBSA loan was settled in the current financial year

15. Service charges

Service charges	732 594	597 108

16. Other revenue

Cemetry	7 147	6 304
Plan approval fees	40 613	64 413
Crish hani	208 000	373 000
Penalty Fees-Income	5 246	-
Sports field	11 228	12 450
Establishment of Boundries	32 716	27 967
Re-Zoning Appication	3 959	2 692
Telecentre	41 012	45 332
Miscalleneous Income	1 351	27 342
Chair Hire	1 685	-
Equipment Hire	24 561	-
Toilet Fees	18 965	22 838
Tender receipts	87 433	54 403
Vendor	67	-
Insurance refunds	351 990	-
Unallocated deposits revenue	-	712 744
	835 973	**1 349 485**

* See Note 32

Notes to the Annual Financial Statements

	2017	2016 Restated*

17. Property rates

Rates received

Property rates	3 278 696	3 308 521
	3 278 696	3 308 521
Property rates - interest	1 076 777	1 019 143
	4 355 473	**4 327 664**

Valuations

Residential	72 504 400	72 504 400
Commercial	144 148 900	144 148 900
State	153 673 600	153 673 600
Municipal	229 290 800	229 290 800
Place of worship	6 499 000	6 499 000
Private service infrastructure	105 800	105 800
Agriculture properties	17 876 801	17 876 801
Vacant land	9 953 800	9 953 800
Schools	2 751 000	2 751 000
Public Benefit Organisation	13 376 300	13 376 300
	650 180 401	**650 180 401**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

18. Government transfers and subsidies

Equitable share	145 276 000	145 974 000
MIG	39 895 000	43 362 000
LG SETA	157 530	290 552
Integrated National Electrification Programme	16 538 130	19 988 300
Financial Management Grant	1 798 221	1 675 000
Municipal Systems Improvement Grant	-	930 000
Extended Public Works Program Grant	1 311 000	1 271 000
Local Government	-	1 000 000
	204 975 881	**214 490 852**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional transfers received	59 699 881	66 943 852
Unconditional transfer received	145 276 000	147 547 000
	204 975 881	**214 490 852**

* See Note 32

	2017	2016 Restated*

18. Government transfers and subsidies (continued)

Equitable Share

Balance unspent at the beginning of the year	-	-
Current year receipts	145 276 000	145 974 000
Conditions met- transfer to revenue	(145 276 000)	(145 974 000)
	-	-

MIG

Balance unspent at beginning of year	-	-
Current-year receipts	39 895 000	43 362 000
Conditions met - transferred to revenue	(39 895 000)	(43 362 000)
	-	-

The transfer was received from National Treasury for infrastructural development purposes.

LG SETA

Balance unspent at beginning of year	-	-
Current-year receipts	109 800	290 552
Conditions met - transferred to revenue	(109 800)	(290 552)
	-	-

The grant was received from the Department of Local Government for training purposes.This is not a conditional grant

Integrated National Electrification Programme

Balance unspent at beginning of year	38 130	26 430
Current-year receipts	16 500 000	20 000 000
Conditions met - transferred to revenue	(16 538 730)	(19 988 300)
	-	**38 130**

Conditions still to be met - remain liabilities (see note 12).

The grant was received from National Treasury for electrification of the community.

Financial Management Transfer

Balance unspent at beginning of year	-	-
Current-year receipts	1 810 000	1 675 000
Conditions met - transferred to revenue	(1 810 000)	(1 675 000)
	-	-

The grant was received from National Treasury for financial management support.

	2017	2016 Restated*

18. Government transfers and subsidies (continued)

Municipal Systems Improvement Tranfer

Balance unspent at beginning of year	-	-
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	-

The grant was received for infrastructure improvement purposes.

Extended Public Works Program Transfer

Balance unspent at beginning of year	-	-
Current-year receipts	1 311 000	1 271 000
Conditions met - transferred to revenue	(1 311 000)	(1 271 000)
	-	-

The grant was received from Department of Public Works for Extendent Public Works Programme.

Department of Sports, Recreation, Arts and Culture

Current-year receipts	300 000	250 000
Conditions met - transferred to revenue	(300 000)	(250 000)
	-	-

The grant was received from Department of Sports, Recreation, Arts and Culture.

Local Government

Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	-	(1 000 000)
	-	-

The grant was received from Department of Local Government for the 2016 Local Government elections and is not conditional.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, 2014 (Act No. 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Annual Financial Statements

	2017	2016 Restated*

19. Personnel costs

	2017	2016 Restated*
Basic	81 433 634	68 047 018
Bonus	5 186 558	7 446 292
SDL	1 549 293	1 477 199
Leave pay provision charge	1 601 520	1 137 643
Travel, motor car, accommodation, subsistence and other allowances	887 707	1 067 848
Overtime payments	1 819 003	1 989 567
Long-service awards	353 910	972 374
Acting allowances	224 685	477 044
Housing benefits and allowances	7 521 737	6 624 383
Back pay	-	689 815
	100 578 047	**89 929 183**

Remuneration of key management

2017	Basic salary	Performance bonus	Allowances	Back pay	Total
Mr Z Shasha (Resigned on 25 April 2017)	684 829	156 352	954 860	18 402	1 814 443
Miss A Ntengenyane	779 649	128 374	676 204	17 381	1 601 608
Ms N Nkuhlu	779 649	89 862	767 776	17 381	1 654 668
Mr S Koyo	713 230	128 374	744 930	17 381	1 603 915
Mr K Maceba	779 649	128 374	778 852	17 381	1 704 256
Mr X Ntikinca (Resigned on 19 December 2016)	353 963	128 374	467 742	17 381	967 460
Mr L Madikizela (Appointed 01 April 2017)	229 995	-	60 983	-	290 978
	4 320 964	**759 710**	**4 451 347**	**105 307**	**9 637 328**

2016	Basic salary	Performance bonus	Allowances	Back pay	Total
Mr Z Shasha	763 079	59 324	592 929	65 371	1 480 703
Miss A Ntengenyane	629 496	44 301	460 754	92 580	1 227 131
Ms N Nkuhlu	706 531	73 478	514 946	65 091	1 360 046
Mr S Koyo	706 531	78 727	514 707	65 091	1 365 056
Mr K Maceba	706 531	73 478	520 501	65 091	1 365 601
Mr X Ntikinca	706 531	52 485	534 697	65 091	1 358 804
	4 218 699	**381 793**	**3 138 534**	**418 315**	**8 157 341**

20. Remuneration of councillors

	2017	2016 Restated*
Basic salaries	10 896 166	10 492 130
Travel, subsistence and other allowances	3 556 042	3 307 452
	14 452 208	**13 799 582**

	2017	2016 Restated*
Mayor	742 153	790 501
Speaker of the council	634 028	633 650
Chief whip	590 547	596 999
Councillors	12 485 480	11 778 432
	14 452 208	**13 799 582**

* See Note 32

Notes to the Annual Financial Statements

	2017	2016 Restated*

20. Remuneration of councillors (continued)

In-kind benefits

The salaries, allowances and benefits of the councillors as disclosed are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with the Act.

The Mayor and Speaker have use of Municipal owned vehicles for official duties.

21. Depreciation and amortisation

Property, plant and equipment	23 646 182	29 989 959

22. Finance costs

DBSA loan	377 855	392 663
Other interest paid	162 891	116 904
	540 746	**509 567**

23. Debt impairment

Contribution to debt impairment provision: exchange transactions	642 916	(90 169)
Contribution to debt impairment provision: non-exchange transactions	(394 895)	623 713
Contribution to debt impairment provision: other	-	219 739
	248 021	**753 283**

24. Transfer of assets

Work in progress- Vukani Bakery	-	161 404

A bakery built for the community was completed and transferred during the year under review.

* See Note 32

Notes to the Annual Financial Statements

25. General expenses

	2017	2016 Restated*
Advertising	407 228	329 323
Auditors' remuneration	4 349 626	3 231 422
Books and publications	122 345	112 345
Bank charges	82 814	78 536
Catering	277 223	455 669
Cleaning	175 921	78 947
Community development	3 008 666	3 333 281
Computer expenses	-	26 791
Conferences and seminars	279 893	35 076
Consulting and professional fees	10 916 213	8 770 670
Electricity	842 465	1 085 099
Entertainment	2 000	-
Free basic electricty	3 604 414	3 177 601
Fuel and oil	3 801 915	2 857 792
Hire of equipment	1 249 838	1 328 683
Insurance	389 974	842 625
IT expenses	1 023 636	1 474 935
HIV and AIDS	32 997	-
Landfill sites mantainance	63 105	403 615
Legal fees	1 762 635	2 747 914
Motor vehicle expenses	480 337	404 054
Provision for landfill site	(185 383)	-
Policy development	2 550 163	2 276 693
Postage and courier	2 292	1 770
Printing and stationery	574 652	67 093
Protective clothing	24 552	196 081
Project maintenance costs	49 624	49 857
Security	463 110	616 977
Special programmes	10 766 727	5 610 689
Social needs	12 905	220 505
Stores and materials	-	273
Subscription and membership	373 196	892 089
Telephone and fax	1 577 283	937 846
Traditional leaders	208 821	227 075
Training	2 218 936	1 317 824
Travel and accommodation	1 584 770	956 092
Traffic cards	288 142	164 726
Valuation roll	-	49 623
VAT Dissallowed by SARS	168 905	-
	53 551 940	**44 359 591**

* See Note 32

Notes to the Annual Financial Statements

	2017	2016 Restated*
26. Cash generated from operations		
Surplus	29 521 144	46 298 727
Adjustments for:		
Depreciation and amortisation	23 646 182	30 814 801
Loss on sale of assets and liabilities	-	(555 035)
Impairment deficit	641 132	629 856
Debt impairment	226 588	533 544
Movements in operating lease assets and accruals	4 098 063	-
Movements in provisions	(1 801 769)	855 531
Interest on borrowings	377 855	392 663
Transfer of assets	-	161 404
Changes in working capital:		
Receivables from exchange transactions	(1 840 173)	(843 443)
Receivables from non-exchange transactions	(227 755)	(1 710 829)
Other receivables	291 975	(511 715)
Trade and other Payables from exchange transactions	(3 109 780)	(6 677 412)
VAT	1 764 928	(3 489 006)
Unspent conditional grants and receipts	-	11 699
	53 588 390	**65 910 785**

27. Auditors' remuneration

	2017	2016 Restated*
Fees	4 349 626	3 231 422

* See Note 32

	2017	2016 Restated*

28. Financial instruments disclosure

Categories of financial instruments

2017

Assets

	Financial assets at fair value	Financial assets at amortised cost	Total
Receivables from exchange transactions	-	1 582 526	1 582 526
Receivables from non-exchange transactions	-	2 611 031	2 611 031
Cash and cash equivalents	6 594 965	-	6 594 965
	6 594 965	**4 193 557**	**10 788 522**

Liabilities

	At amortised cost	Total
Trade and other payables from non-exchange transactions	7 292 704	7 292 704
Trade and other payables from exchange transactions	23 131 519	23 131 519
	30 424 223	**30 424 223**

2016

Assets

	Financial assets at fair value	Financial assets at amortised cost	Total
Receivables from exchange transactions	-	749 276	749 276
Receivables from non-exchange transactions	-	2 232 795	2 232 795
Cash and cash equivalents	2 864 109	-	2 864 109
	2 864 109	**2 982 071**	**5 846 180**

Liabilities

	At fair value	At amortised cost	Total
Other financial liabilities	-	7 641 230	7 641 230
Trade and other payables from exchange transactions	-	28 324 082	28 324 082
Taxes and transfers payable (non-exchange)	-	38 130	38 130
Bank overdraft	14 566	-	14 566
	14 566	**36 003 442**	**36 018 008**

Notes to the Annual Financial Statements

	2017	2016 Restated*

29. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Capital commitments	13 016 345	30 933 390
This committed expenditure will be financed from:		
Goverment grants	13 016 345	30 933 390
Total capital commitments		
Already contracted but not provided for	13 016 345	30 933 390

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	369 181	369 181

Operating lease payments represent rentals payable by the municipality for printers and copiers. The contract was ending on 17 January 2017 and was renewed on 01 December 2017 and ending 17 January 2018.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	369 181	574 223
- in second to fifth year inclusive	-	1 887 423
	369 181	**2 461 646**

30. Contingencies

Contigent liability	10 200 000	923 588

The contingent liability relates to the following cases against the municipality:
- Bravopix case vs IYM R200 000;
- Minister of Water and Sanitation Dept vs IYM R10 000 000;
- These cases are still pending and no jugdement or final decision has been reached.

31. Related parties

Remuneration of key management: Refer to note 19 and 20 for the remuneration of councillors and other key management.

Compensation to Audit Committee Member's		
Mr. Galada	26 794	32 563
Mr. Mbawuli	61 129	27 197
Mr. Rasmeni	4 000	12 685
Ms. Mbelani	11 116	-
Mr. Tshangana	24 485	-
Ms. Hlehliso	-	15 146
	127 524	**87 591**

* See Note 32

Notes to the Annual Financial Statements

	2017	2016 Restated*

32. Prior year adjustments

During the 2017 financial year, the following material adjustments to prior year figures were identified:

Intangible assets

Computer expenses were incorrectly disclosed as intangable (muncipal website). Prio year journal was raised to correct the missclasification of the expenditure
The restatement has been corrected retrospectively and compatrative figures have been appropriately reststed

Payables from exchange transactions and expenditure

There were some invoice that were duplicates in the system which coursed long outsatanding creditors. The creditors were contacted by municipality and requisted their statements and duplicates reversed. There were some invoices that were received in the current year which were not recorder in the 2016 Financial Year.

The restatement has been corrected retrospectively and comparative figures have been appropriately restated.

Provision for Perfomance Bonus

Provision for perfomance bonus was not provided for in the Financial Statements. They were raised in the prio year whic affected provisions and employee cost.

The restatement has been corrected retrospectively and comparative figures have been appropriately restated

Provisions

13 cheque bonuses provisions were disclosed as trade payables instead of provisions- refer to note 13. On the provision for rehabilitation of land fill site it was disclosed as a current liabilty there was no non current liability. Refer to the face of Financial Position and note 13.

The restatement has been corrected retrospectively and comparative figures have been appropriately restated.

Interest Received

Interest recieved was not disclosed to reflect the nature of the interest in the face of Financial Perfomance item and notes 15, 17 and 39. They have been differintiated as follow- Investment, Exchange transaction, Non-Exchange transaction.

Fines

Fines were disclosed as gorvenment transfer. They were reclassified as non exchange in the face of Financial Peformance.

Correction of errors resulted in the following prior year adjustments:

Intangible assets	
Previous disclosed	560 860
Adjustment	(560 860)
2016 restated balance	-

Perfomance bonuses	
Adjustment	381 793

Perfomance bonus that was not provided for in the AFS and note 19 employee acts.

* See Note 32

	2017	2016 Restated*

32. Prior year adjustments (continued)

Provision for land fill site

Previously disclosed		4 798 359
Adjustment		2 272 748
2015 restated balance		**7 071 107**

Provision- Land fill site and long services awards- There was no split for "long term and short term" refer to the face of the Financial Position item and Note 13

Interest received

Previously disclosed		2 694 006
Adjustment- Investment		(1 599 716)
Adjustment- Rates		(1 019 143)
Adjustment- Refuse		(75 147)
2016 restated balance		**-**

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Trade and other payables

Previously disclosed		29 821 698
Adjustment 3rd parties		(2 953 840)
Adjustment bonus		(1 513 038)
Adjustment retention		2 969 262
2016 restatde balance		**28 324 082**

Trade and other payables from non-exchange transaction

Previous disclosed		-
Adjustment		3 194 641
2016 restated balance		**3 194 641**

Other income

Previously disclosed		976 485
Adjustment		373 000
2016 restated balance		**1 349 485**

Government transfer

Previous disclosed		215 313 852
Adjustment		(823 000)
2016 restated balance		**214 490 852**

General expenditure

Previously disclosed		44 171 010
Adjustment IT expenses		337 580
Adjustment Motor vehicle expense		(148 999)
2016 restated balance		**44 359 591**

The IT software expenses were previously disclosed as intangable assets and repairs and manatainance disclosed as motor vehicle expenses.

	2017	2016 Restated*

32. Prior year adjustments (continued)

Repairs and mantainance	
Previously disclosed	1 105 766
Adjustment	148 999
2015 restated balance	**1 254 765**

Repairs and Manatainance were disclosed as motor vehicle expenses.

	-
	-
	-

33. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2017**	**2016**
Receivables from exchange transactions	1 471 151	749 276
Receivables from non-exchange transations	2 460 550	2 232 795
Cash and cash equivalents	6 663 733	2 864 109

* See Note 32

Notes to the Annual Financial Statements

	2017	2016 Restated*

33. Risk management (continued)

Market risk

Interest rate risk

The municipality interest bearing assets are included under cash and cash equivalents, trade receivables from exchange transactions and receivables from non-exchange transactions. The municipality's income and operating cash flows are substantially independent of changes in market interest rates due to the short term nature of the interest bearing assets.

At year end, the financial liabilities expensed to interest rate risk include those other financial liabilities disclosed in note 14 to the annual financial statements.

Balances with banks, deposits, call current accounts attract interest at rates that vary with the South African prime rate. The Municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the statement of financial performance.

Trade debtors in arrears are charged interest at a rate of 1% per month.

Surplus funds are invested with banks in interest bearing accounts refer to note 8.

Interest rate sensitivity analysis

The sensitivity analysis below assesses the exposure of the Municipality to floating interest rates. Assuming that those financial instruments affected remain unchanged for the full financial year and that all other methods and assumptions used remain unchanged, the impact of a 100 basis points change in interest would result in an increase or decrease of R784,801 (2015: R58462) in net surplus for the period.

34. Events after the reporting date

The municipality is not aware of any events after 30 June 2017 that may have a material impact on the financial statements or require disclosure.

35. Unauthorised expenditure

	2017	2016
Opening balance	142 497 723	141 715 675
Raised in the current year	-	782 048
	142 497 723	**142 497 723**

36. Fruitless and wasteful expenditure

	2017	2016
Opening balance	1 089 939	990 110
Fruitless and wasteful expenditure written off	(1 089 939)	99 829
Fruitless and wasteful expenditure	242 077	-
	242 077	**1 089 939**

37. Irregular expenditure

	2017	2016
Opening balance	141 994 847	77 375 949
Add: Irregular Expenditure - current year	2 876 935	61 278 166
Add; Irregular Expenditure- prio year identified in the current year	-	3 340 732
Less: Amounts written off	(141 994 847)	-
	2 876 935	**141 994 847**

* See Note 32

	2017	2016 Restated*

38. Additional disclosure in terms of the MFMA

Contributions to organised local government

Opening balance	684 428	721 903
Current year subscription / fee	411 246	1 003 908
Amount paid - current year	(1 095 674)	(1 041 383)
	-	**684 428**

Medical aid fund contributions		
Opening balance	-	634 852
Current year subscription	9 017 292	8 056 841
Amount paid- current year	(8 482 610)	(8 691 693)
	534 682	**-**

Pension fund contributions		
Opening balance	-	932 580
Current year subscription / fee	13 399 958	12 244 754
Amount paid- current year	(12 637 798)	(13 177 334)
	762 160	**-**

Audit fees

Opening balance	40 645	895 790
Current year subscription / fee	4 275 388	3 701 477
Amount paid - current year	(3 576 049)	(4 556 622)
	739 984	**40 645**

VAT

VAT receivable	8 175 857	8 227 491

VAT output payables and VAT input receivables are included in note 6.

Councillors' arrear consumer accounts

The following Councillor had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Cllr A L Mvo	5 575	98 712	104 287
Cllr M I Bikitsha	437	16 652	17 089
	6 012	**115 364**	**121 376**

30 June 2016	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Cllr. M.I Bikitsha	451	6 195	6 646

Notes to the Annual Financial Statements

	2017	2016 Restated*

39. Deviation from supply chain management regulations

The following deviations from the Supply Chain Management Policy were approved by the Municipal Manager during the year:

Reason	Amount	
Supply and delivery of diesel	186 229	-
Purchase of overhoute for TaTa Novus	144 885	-
Overhoute of the transmission of the hauler tow tractor	142 034	-
Online IR Networks	16 063	-
Service and repair of Dezz Hauler tow tractor	94 166	-
	583 377	**-**

40. Trade and other payables from non exchange transaction

Non-current liabilities	(268 738)	-
Current liabilities	(7 292 704)	(3 194 641)
	(7 561 442)	**(3 194 641)**

41. Investment revenue

Interest revenue		
Bank	2 398 465	1 599 716

42. Depreciation of investment property

Property, plant and equipment	641 132	629 856

43. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

* See Note 32

44. Change in accounting estimate

Landfill site

The site life of the landfill site was estimated in 2016 to be 20 years. At the beginning of the current period the expert revised their estimate from 20 years to 21 years. There was a change in the net discount rate from 2.00% in 2016 to 3.11% in 2017. In addition, the CPA rate of 2.9% was used to increase the unit costs used to determine the rehabilitation and closure costs since the previous financial year.

The effect of this revision has decrease the landfill site asset and the landfill site liability by R185 383 each, composed of:

Net effect of the discount rate	(187 050)
Net effect of the unit cost adjustment	23 591
Net effect of the change in site life	(21 924)
	(185 383)

The depreciation charge for the current and the future period has increased by R2 489 per annum.

Increase of depreciation	2 489	-